2:Sanders E-5 (no date) 1949 EEl Bulgaria EEl

556 181 An intelligent woman once summed up for me the peasant's attitude toward labor and money in this terse fashion:

"Most people work because they want money. Everyone looks for money."

511 181 434 Although the peasant considered money of greater importance than formerly because he was becoming more and more a part of a money economy, he really handled very little in the course of a year. The annual income for a family of four or five was less than two hundred dollars, an amount that came into the family coffer in driblets and was paid out as slowly as possible. After the autumn market or the sale of a cow, the peasant was flush with money, but when he had bought the necessities which he could not produce for himself (kerosene, shoes and other articles of clothing, rice, salt, and some hardware) he was little better off financially. If a member of the family worked outside the home, his wages were a considerable help, especially when some of the many taxes were due.

465 181 I asked nine young men, picked at random, about the money they earned. Their monthly income varied from the meager equivalent of $6 a month earned by a twenty-five-year-old servant and an eighteen-year-old shepherd to $66 earned by a twenty-year-old milkman. There was only one who kept more than half of his earnings for himself. He explained apologetically that the reason he did not turn these over to his father was that he had to pay board and rent in Sofia, where he worked.

454 181 Very few Dragalevtsy people accumulated savings in the bank. They preferred, like people all over Bulgaria, to invest money in real estate. The city people did it because of the security of investment, whereas the peasants, especially in Dragalevtsy, were more interested in possessing land for its own sake.

426 181 The great majority of the peasants were in debt, though many debtors were also creditors. Those specializing in field crops preferred long-term loans, usually for fifteen or twenty years, with land as security, while sheep owners usually sought short-term loans of three or four months. One village merchant, to whom many peasants came for advice, estimated that 70 per cent of the loans were taken from banks and 30 per cent from individuals. The government had done much in the past through periodic moratoria to reduce the amount of indebtedness. [652]

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651 would take the larger family name of his father's kinship group. Thus
178 an outsider could immediately place each child not only in the family
594 group as a whole but in the small conjugal group as well. Students of child development have often pointed out the advantage to the child of growing up with a number of intimate contemporaries, as well as having several adults ready to serve as substitute parents whenever occasion demands.

But the change need not be viewed as entirely unfavorable. The smaller family unit was bringing about a more intimate relationship between members, breaking down the formalism between parents and children, and encouraging democratic living.

178 The good old days, if we are to believe the elders of the village,
463 differed not only in the degree of governmental autonomy in community affairs and a patriarchy in which the young respected the old: occupations too were of a different order.

"Half a century ago there were very few educated people, the chief of these being a priest from the monastery and a teacher. The mayor was an ordinary peasant elected by the town council of twelve people. There was a swineherd, as well as other herdsmen, and five merchants, plus a tanner. Practically all of the people were farmers. There was no dairyman; there was no doctor. All dentistry was done by Turks who remedied an aching tooth by pulling it out. We raised no horses, and an itinerant gypsy smith did all the necessary iron work."

When I asked another man about occupations half a century ago, he added this information:

"It was 'simple business' fifty years ago. There was a teacher for boys in the first and second grades; there was no village tailor, and the single tanner had little work. A priest from the monastery min-
●652 istered to the people on occasion. We had no tax collector and an
211 illiterate mayor took all the taxes and kept the account on a *rabosh*."

(Here I steered the conversation off the subject of occupations long enough to find out what the *rabosh* was. It was similar to a practice of the Exchequer in twelfth-century England in which accounting was done with pieces of notched wood. Each family had a small piece of wood fitting into another piece kept by the mayor. The notches in the wood told the financial status of the family as far as the tax money was concerned.)

Fig. 26.

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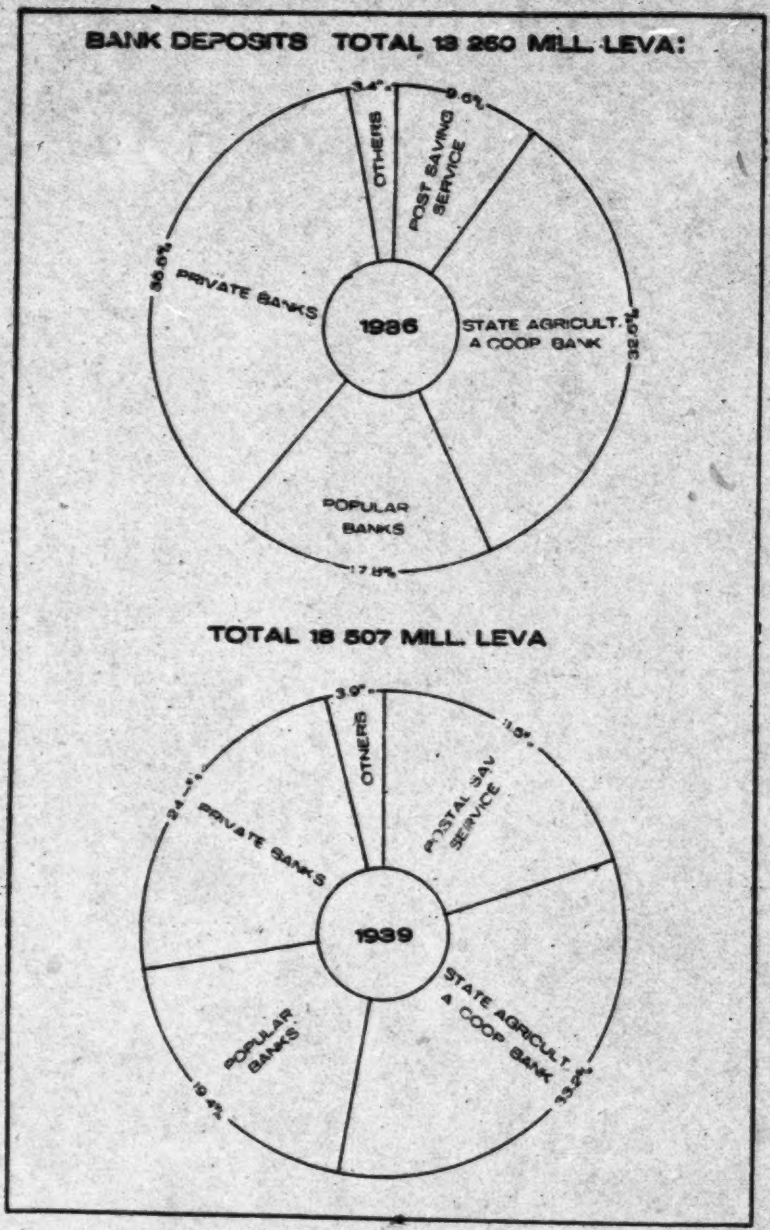

Fig. 27.

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they would pass a law abolishing all private indebtedness. 426
It is gratifying to note that in spite of all this arrant 663
demagogy and incitement to default, the peasantry has not deviated from its traditional honesty, and that in spite of the crisis it has done its best to meet its liabilities. The annual reports of the Agricultural Bank show that its advances to the peasants have during the years 1930 to 1933 slowly but steadilly decreased and that their total indebtedness to the bank had been reduced by 300 million leva at the end of 1933, as compared with the year 1929. In the bank's report for 1933 it is stated that the peasantry has ceased increasing its indebtedness owing to its being conscious of the necessity of adjusting its debts to the present level of their income, a fact which speaks very highly of its common sense as well as of its determination to maintain its standard of integrity by which Bulgarians have so far distinguised themselves from their neighbours.

One of the most active members of the Cabinet was 652●
its Finance Minister, M. Peter Todorov, who in a brief 655
period of a few months succeeded in settings order in his department so that the salaries of public functionnaries which were some five months in arrear, began being paid again regularly. Debts to Government contractors which had remained unpaid for years were liquidated and with indefatigable energy M. P. Todoroff set creating new sources of revenue for the State. These were the monopolies of alcohol, tobacco, salt, light mineral oils and school text books. There was an intensive contraband carried on in alcohol, and the State was being deprived of millions of revenue which otherwise ought to have flowed into its coffers. The returns of the Excise on spirituous drinks were yearly diminishing correspondingly with the reported consumption of both beer and alcoholic drinks as may be noted from the following table:

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Consumption in thousand of hectolitres

	1929	1930	1931	1932	193
Beer	76.4	46.8	41.7	81,7	52
Alcohol	10.2	8.2	8.2	4.9	5

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Yet these figures were far from corresponding wit the actual consumption, and it was known that a larg number of illicit stills were being in operation all ove the country. The question of the loss this clandestin trade entailed to the Treasury came up several times fo discussion in the Sobranye but so far no governmen tackled the matter seriously as it was afraid to ruffle ce tain sections of the electorate which engaged in thes operations. Thus deputy Dr H. Mutafov speaking in th Sobranye on June 13, 1932 affirmed that for 1930 th quantity of wine which had been declared to the author ties and on which excise had been collected amounted t 38,822,096 litres, while according to the figures of th Ministry of Agriculture some 108,618,482 litres had bee produced. The figures for 1931 showed even a greate discrepancy. It was known also that some 10 millio litres of wine had been distilled and transformed int brandy, on which additional excise ought to have bee paid, but of this quantity only 42000 litres had been dec lared. The contraband on tobacco was even more inten sive than that on alcohol, for the smuggling of this articl was much easier and the profit correspondingly greate Tobacco in the leaf was sold at about 10 to 15 leva per Kg while when transformed into cigarettes it was retailed at 150 t 200 leva per Kg. by the tobacco manufacturers who of cours refunded to the State the amount of excise chargeable on thei sales. The consumption of tobacco on which excise wa imputable was yearly declining, and proportionally th State revenue from this head. A former Minister of Fi nance had declared on May 10, 1932 in the Sobranye that if the excise service could be reorganised and strengt

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hened some 400 to 500 millions extra annualy would accrue to the State from this source, and he cited figures to show how the consumption of tabacco on which excise had been collected was being anually reduced. 5,214,089 kg. in 1925, dwindling gradually to 3,888,312 kg. in 1931. These figures may be supplemented by the following table which also shows the revenue derived from tobacco.

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Tobacco consumption in thousand kg.		Excise duty in million leva	
1931	3,888·3	"	670·4	"
1932	3,506·6	"	642·5	"
1933	3,374·3	"	613·3	"
1934	3,191·0	"	580·2	"

The tobacco monopoly will not only contribute in ncreasing revenue very substantially, and this will probably e secured by the creation of a special cheap brand of igarettes to be sold exclusively in rural districts as has een done in Turkey, but will also exert a certain influence n stabilising the price of tobacco and will permit growers o obtain a more equitable price. With the creation of the obacco monopoly the State will absorb for its proper equirements some 5 million kg. of tobacco and as this mount represents about a fourth of the annual crop, it will be easy for the State to exert a hardening tendency on prices for the benefit of the growers. Another beneficial result which will be derived from the creation of this monopoly is the improvement in the condition of the workers in the tobacco industry which occupies the greater number of industrial workers in Bulgaria. The State owing to its proclaimed policy of upliftment of the working classes is bound to do its utmost to ameliorate their lot, which was far from being enviable as may be inferred from the large number of strikes which occured in this industry.

The monopolies of light mineral oils and of salt do not aim at securing additional revenue to the State, their

652 655 object being mainly to effect a better control and levelling of prices in all parts of the country. The one for school text books has been created in order to reduce prices and to prevent the too frequent change of the books made use of in schools, a practice much in vogue in Bulgaria and by which students were exploited to the advantage of certain publishers closely connected with political circles.

Minister P. Todorov took the initative to fuse into one under the title of „Bulgarian Credit" all the provincial banks of the country in order to strengthen their position and reduce their running expenses. The State provided for this purpose a sum of 50 million leva, while the capital of the amalgamated banks amounts to about 100 millions. Eventually it is proposed to increase the capital to 250 million leva. The two State banks, the „Agricultural" and „Central Co-operative bank" have likewise been merged into one to the great advantage of the State and of the co-operative societies as may be inferred from the writer's notes on the co-operative movement.

657 The Ministry of Finance began to tackle also the problem of the excessive protection granted to the local industry which rendered the prices of all industrial products unapproachable to the impoverished agrarian masses. The advantages and prerogatives hitherto enjoyed by industrial establishments have been curtailed in many directions and the preference they enjoyed over their foreign rivals in so far as supplies to government institution is concerned has in fact been removed.

652 648 Other reforms, having as an object the stabilisation of the civil service, the simplification of judicial procedure, the transformation of the educational system etc, were being studied and would have been shortly applied when unexpectedly the Cabinet of M. Gheorghiev was asked to resign and cease its creative action, on the alleged pre-

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tence that some of its members and supporters entertained republican sympathies. Bulgarians who for the first time in their modern history had been at last privileged to witness at home how a decent government should function would if they were free to express their opinion probably demur at the change invoking in support Pope's dictum:

„For forms of government let fools contest,
What e'er is best administered is best".

What is not devoid of a certain piquancy is that the Financial Committee of the League of Nations „which had just rapped the late Government smartly over the administrative knuckles" (as stated in an editorial in the *Manchester Guardian* at the end of January 1935) should have provided the opportunity for this stroke. And yet the Financial Committee should above all have been thankful to M. Peter Todorov for his financial measures. Thus the creation of the monopoly of alcohol will vastly increase the revenues affected specially to the service of the Refugee Loan which was issued under the sponsorship of the League of Nations. But of course, the interests of the unwary investors in League of Nations Loans are no longer considered. Those of others take priority. M. Todorov's financial projects apparently were not to the liking of some oil magnates, and of the French, Belgian and Swiss capitalists who have respectively some 377·3, 568·4 and 533 million leva invested in banking and industrial enterprises in Bulgaria. His threat to reduce the tariff, and his creation of a powerful credit institution which would be in a position to compete with the foreign banks naturally provoked a certain amount of wire-pulling and log-rolling as a consequence of which M. Todorov has lost his portfolio.

ECONOMIC HISTORY

The pre-war period

After the amputation inflicted on her by the Treaty of Berlin, it was natural for Bulgaria to devote from the moment of her emergence as a political entity most of her resources and energy to repairing the mutilations she had suffered. She thus diverted to this aim a large part of the vital strength she would under different circumstances have entirely consecrated to her cultural and economic advancement. And if, in spite of this incubus Bulgaria yet attained to such remarkable material development within the six decades of her independent existence it may be surmised with certainty that the progress achieved would have been a record one had she started on her career as a nation under more auspicious omens.

From the very start she was encouraged to spend an unduly large proportion of her resources on the organisation of her army by the Russian officials who supervised the setting up of her administration, and owing to the natural desire of the Bulgarian people to liberate their enslaved kinsmen, who had been thrust under foreign dominion by the bungling politicians at the Berlin Congress, it was extremely difficult to discourage expenditure on this head. This tendency was further encouraged by the armament firms which showed themselves always obsequious and ready to facilitate the securing of the necessary credits for financing the supply of war material and thereby helped to involve Bulgaria into an indebtedness beyond her capacity.

The Bulgarian State was further saddled with heavy obligations such as that of assuming a certain indebtedness towards Turkey in the form of an annual tribute and that of defraying the cost of the Russian military occupation. It was also forced to provide for the construction of those

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YEARS	IMPORTS in million leva	EXPORTS in million leva	BALANCE in million leva
1886—1890	350	310	— 40
1891—1895	416	386	— 30
1896—1900	337	339	+ 2
1901—1905	474	597	+ 123
1906—1910	699	591	— 108
1911—1915	916	698	— 218
1916—1920	4,002	2,993	— 1009
1921—1925	24,924	22,628	— 4296
1926—1930	32,330	31,064	— 1266
1931	4,660	5,934	+ 1274
1932	3,471	3,383	— 88
1933	2,202	2,846	+ 644
1934	7,247	2,535[1]	+ 88

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From the foregoing figures it becomes obvious tha Bulgaria had to have recourse to foreign assistance i order to secure the necessary equipment of a modern State as it was unthinkable for her to raise the requisite capital locally. Tbe following loans were contracted prio to the Balkan wars, the proceeds being used for military equipment, for the construction of railways and ports o the financing of expenses incurred through a rather pre mature davelopment of the political organisation and occasionally through a not very judicious employment o public funds.

Year	Nominal Interest %	Duration of repayment in years	Nominal amount in million leva	Price of issue	Net amount in million leva	Real Interest %
1888	6	33	46,777	at par	46,777	6·
1889	6	33	30,000	86·03	25,650	7·5
1892	6	33	124,962	86·41	107,342	7·34
1902	5	50	106,000	78·32	87,367	6·72
1904	5	50	100,000	75·24	82,383	7·03
1907	4·5	60	145,000	79·91	123,250	5·94
1909	4·5	50	100,000	85·56	86,000	5·56
1909	4·5	75	82,000	at par	82,000	4·75
			734,739		640,769	

The 1888 loan was floated in London, its proceeds being entirely devoted to the purchase of the Rustchuk-

[1] [Errata: should be 2247] —Analyst]

ECONOMIC HISTORY

Varna railway line built in 1860 by an English company to which the Turkish government had guaranteed a revenue of 7%, a charge the Bulgarian government considered unduly heavy and out of proportion with the net income derived from the exploitation of the railway.[1]

The proceeds of the 1889 loan were used for the construction of the Tsaribrod—Sofia—Vakarel, and that of the Yambol—Burgas railway lines. The loan was floated in Vienna as the obligation to construct these lines had been imposed by Austria-Hungary at the Congress of Berlin. A mortgage on these railways secured the loan. The subsequent loan was also contracted in Vienna and served to reorganise the army and to construct the Kaspitchan—Sofia railway line and the building of the two ports of Varna and Burgas. A mortgage on both ports and the railway being taken as security for the loan.

The 1902 loan was the first of a series concluded in France, for Bulgaria having in the meanwhile adopted a distinctly pro-Russian attitude, the Paris money market was opened to her at the intercession of Russia, France's

[1] The capital of the company which constructed this line was represented by 45,000 shares of £ 20 each, or a total of £ 900,000 or 22,500,000 gold francs, and these shares were never quoted above ¼ of their nominal value. A commission of Bulgarian engineers presided over by the late Serbian Premier, N. Passitch, at the time in the employ of Bulgaria in his capacity of an engineer, had evaluated the line as worth 18,575,000 gold francs, which was a fair estimate, yet the Bulgarian Premier, Stambulov, was prevailed upon to pay more than double this sum. This transaction was strongly resented in Bulgaria, but owing to the censorship little was said about it in the Press at the time; and there were good reasons for such resentment, for Bulgaria had been mulcted out of a considerable sum merely in order to placate certain financial circles as likely to influence British political support at a time Bulgaria was traversing a critical period. A very unfortunate precedent being thus created which has since caused havoc in Bulgarian finances.

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ally. The proceeds of this loan served to make good the budget deficits of the period 1895-1900 amounting to 53 million leva and mainly due to a period of bad crops, to pay off the sum of 17,390,664 to the Turkish and Russian governments, due according to the stipulations of the Treaty of Berlin, to pay for 2,687,515 leva worth of armaments, and reimburse certain advances made to the Bulgarian government by the Bulgarian State Bank. This was the first loan to which a special revenue was assigned as a guarantee and a special controller delegated to Sofia on behalf of the bondholders to supervise the sale of the special revenue stamps affected to the tobacco tax.

In 1904 yet another loan was floated in France to which the surplus of the tobacco tax and the proceeds of revenue stamps were assigned as pledges. Owing to the revolution of 1903 in Macedonia, field artillery of the value of some 25 million leva had been purchased from the French firm of Creusot and other military expenses had been incurred and had to be frayed, the balance of the loan was used for the construction of the railway lines Tirnovo — Trevna, and Sofia — Kustendil. Military expenditure was steadily increasing and proving an intolerable burden to the State, yet owing to the anarchic situation in Macedonia and the prevalent belief that Bulgaria was in duty bound to interfere some day on behalf of her unredeemed kinsmen in Turkey, the Bulgarian people assumed stolidly the financial burdens imposed on them. Thus during the two years 1904 and 1905 some 55 million leva were expended solely on armaments, a sum exceeding half of the budget figures of these years.

It must be admitted that the French armament firms which had found an excellent client in Bulgaria must have largely contributed in persuading French Banks as to the advisability of financing the loans made to Bulgaria, which were being gradually floated at shorter and shorter intervals.

ECONOMIC HISTORY

In 1907, a further loan was issued in Paris out of which sums of 20,935,000 and 31,584,500 leva were earmarked for the conversion of the 1888 and 1889 loans. The 1907 loan having been issued on a 4·5% basis it was thought that a considerable economy would be effected by reimbursing the first two loans bearing 6% interest. Unfortunately, owing to the fact that the bonds were quoted above par, the Bulgarian treasury incurred instead a loss of some 21·5 million leva in carrying through this operation The balance of the loan was employed, to the extent of 32 millions for the buying of war material, while another 32 millions were allotted to the construction of railways and some four millions devoted to the settlement of a floating debt. The same pledges which had been assigned to the 1902 and 1904 loans were also affected to the service of this loan as the revenues from these sources were quite adequate. Thus the revenues from the tobacco tax and 'mourouriye' yielded 17,677,000 in 1909 and 18,183,000 leva in 1911, while the yield from the revenue stamps amounted to 6,088,000 and 6,638,000 leva respectively, the service of the three loans necessitating in 1909 the sum of only 18,265,000 leva, thus leaving a surplus of some 5 millions at the disposal of the Exchequer.

The elevation of Bulgaria to the rank of a Kingdom in 1908, and the attending political complications which rendered the mobilisation of the army indispensable had caused a heavy drain to the treasury, and in 1909 another loan was contracted, the proceeds of which were entirely absorbed in reimbursing the State's debts to contractors and to the National and Agrarian Banks, a sum of over 58 millions being due to these two State institutions. This loan was floated in Vienna, and no real guarantees demanded by the Austrian banks, a fact which may be explained by the desire of Austria to express her satis-

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faction at the way Bulgaria had arranged for her proclamation of independence to precede Austria's annexation of Bosnia and Herzegovina in 1908. Simultaneously Bulgaria assumed a liability of 82 millions to Russia, the latter having undertaken to indemnify Turkey on Bulgaria's refusal to continue the payment of her tribute after her proclamation of independence and provided the requisite money (some 42 million leva) wherewith the railways constructed and operated in Southern Bulgaria by the nominally Turkish company of the Chemins de Fer Orientaux were purchased by the Bulgarian government.

By the end of 1911 Bulgaria had a consolidated debt of 603,799,618 and a floating debt of 29,493,524 gold leva which with a population of 4,390,325 represented a per capita charge of 144·25 leva. From the proceeds of the foreign loans some 283,058,566 leva had been employed for the construction or purchase of railways of a total milage of 1,931 klm. and in the building of the ports of Varna and Burgas, 102,670,856 leva had been employed for the purchase of military equipment and the balance was absorbed by budgetary deficits, the liquidation of the tribute payable to Turkey (over 40 millions), and other administrative expenses. It should be remembered that this latter item included the building of schools, the constructions of roads, bridges, telegraph and telephone lines, barracks, government buildings etc. all of which were almost totally lacking, so that on the whole, few of the successive Bulgarian governments can be accused of having unduly wasted public money. The national wealth had been estimated in 1911 by the late Cyril Popov at 10,500 millions and the national revenue at 1,647 millions, equal to 387 gold leva per capita, which could only provide for a very low standard of living, since yet another 20% had to be provided out of it for the defraying of public and municipal taxation.

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The State budgets were approaching the 200 million figure, but were not always balanced. Thus in 1910 and 1911 the revenue figures stood respectively at 181 and 198 millions while expenditure attained 198 and 181, leaving alternatively for each year a deficit and a surplus of 17 millions. The service of the debt required slightly over 36 millions and absorbed 18% to 20% of the annual revenue of the State, while military expenditure required about 44 millions. Unfortunately the trade balance wherewith the service of the foreign debt had to be provided continued to show an excess of imports over exports, the years 1910 and 1911 showing respectively debit balances of 48 and 15 millions, and this state of affairs forced Bulgaria, so long as she was unable to expand her exports to continue borrowing in order to meet her monetary obligations abroad and to pay for the excess of her imports, which were indispensable for her development and the sustainance or her people.

So that even prior to the Balkan wars, when Bulgaria was considered powerful and flourishing and her financial situation inspired confidence she was in fact a very poor country living beyond her means and only able to meet her foreign obligations by indulging in a policy of borrowing abroad which was reckless, but which was indulged in for patriotic motives, because it was hoped that when finally Macedonia would have been incorporated, the increased revenue the State would thereby derive would permit the shouldering of the indebtedness incurred mainly in preparing for this territorial expansion. Bulgaria's reputation of a good payer was due to the scrupulous exactitude with which both private and public debts were being met and the extreme sobriety and parsimoniousness of her people which had enabled them to build up a complete machinery of State not only by borrowing but also out of their hard-earned and slender incomes.

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The frugality and thriftiness of the Bulgarian people stood them im good stead for it was thanks to these qualities that they were able to assume practically unaided the financing of the Balkan wars. The 1912 and 1913 budgets closed with deficits of 140 and 181 millions, owing to the falling off of the revenue and the increased military expenditure and were met partly by the expedient of discounting treasury bills abroad namely 75 millions with the Banque de Paris and des Pays Bas, 30 millions with Austrian Banks and 27·7 millions with the Russo-Asiatic Bank, and partly by advances from the National State Bank which attained 142.9 millions by the end of 1913.

Naturally the unfortunate outcome of the Balkan wars found Bulgaria utterly exhausted and in urgent need of funds. An internal loan of 90 millions was inadequate to relieve the pressure on the treasury and as the budget of 1914 was pointing to a deficit of 68 millions, the government was constrained to seek foreign help at all costs. Owing to the pro-Austrian proclivities of the Radoslavov government, the French Banks demanded as a preliminary condition to their granting a loan, that Bulgaria should furnish assurances that she would no longer pursue an anti-Russian policy. Unfortunately these were not forthcoming. On the contrary the Bulgarian government opened negotiations with a group of German and Austrian banks, headed by the Diskonto Gesellschaft, in spite of the violent obstruction of the Opposition and raised a loan from this German banking group. Though the members of the Radoslavov Cabinet have always denied that any political clauses were attached to the loan, this may be considered as forming the preamble to Bulgaria's engagement to the Central Powers, for the Germans have on many occasions declared that the question of Bulgaria's allegiance had been definitely fixed on the conclusion of this loan. The loan was of a nominal amount of 500

million leva. The conditions attached to it were distinctly onerous for they included the cession of the Pernik coal mines belonging to the State, a concession for the construction of a railway line Rakovski—Porto Lagos and the building of its harbour, while specific revenues were affected to it as a guarantee, namely the surplus of the tobacco tax and revenue stamps over the share already affected to the 1902, 1904 and 1907 loans, the proceeds of the State monopoly of cigarette paper and the proceeds of the revenue from the customs. Owing to the outbreak of tne World war the German banks advanced only some 270 millions and though it had been stipulated that the Bulgarian Treasury bonds emitted during the Balkan wars would be reimbursed, only those held by the Austrian banks were paid while the German government placed an embargo on the 27·7 millions due to the Russo-Asiatic bank.

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How Bulgaria financed her participation in the World war.

The cost of Bulgaria's participation in the World war was borne practically unaided, for except for a part of the loan issued by the Diskonto Gesellschaft no other effective aid was received. A convention was signed in September 1915 between Germany and Bulgaria, providing for the granting to the latter of an advances of 50 million leva during each of the four months the war was expected to last, and stipulating for complementary advance should the war last longer. Germany continued to extend these credits only to the end of 1917, so that the total amount secured by Bulgaria on this head attained 1350 million leva. But in fact, not a single penny ever reached Bulgaria, for these monthly advances were deposited in a Berlin bank to the credit of the Bulgarian National Bank which was authorised to issue a corresponding amount

11: Logic S-4 (no date) 1936 EE1 Bulgaria EE1

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of paper money which it placed at the disposal of the Bulgarian government. These deposits were to be utilised solely for this purpose, and also for the payment of goods purchased in Germany and with the consent ot the German authorities; but as during the war Germany had little to export, the amount of merchandise thus purchased did not exceed 350 million leva. The balance of about 1,000 millions which had served as cover to the increased fiduciary circulation of the Bulgarian National Bank owing to its being labelled in marks was totally lost to Bulgaria when the mark depreciated after the armictice. The National Bank of Bulgaria attempted to transfer part of this sum to Switzerland, but was precluded from doing so by the initial arrangements entered into by the two governments and subsequently by Article 145 of the Treaty of Neuilly which obliged Bulgaria to transfer to the Reparation Commission any claims she might have to payments or reparations by her late Allies. Besides these monthly credits, munitions and military equipment to the value of 1440 million leva were received from Germany and of 73,398,500 from Austria. Against these sums the Bulgarian government had a larger counterclaim amounting to 2,148,814,923 leva, several items of which represented more tangible value than the nominal monthly German advances, for they represented foodstuffs, raw materials and 240 millions in Bulgarian currency delivered to the German military authorities. It may be affirmed that the only financial service rendered by Germany was that of enabling the Bulgarian National Bank to increase its fiduciary circulation from 369,791,000 leva at the end of 1915 to 2,298,617,000 at the end of 1918, and this was obviously of a very questionable value for in the end owing to the total depreciation of the mark it was the Bulgarian people who had to shoulder the entire loss caused by this inflation. As M. Stefanov the Minister of Finance,

declared in the Sobranye on May 10, 1932: „Bulgaria was the sole country to conclude the war with so few debts, for she only received 270 millions from the Diskonto Gesellschaft, while she remained a creditor to the extent of 840 millions to Germany." This statement may be compared to the one M. Stefanov made on July 10, 1928, when he maintained that Bulgaria had lived during the world war on her own resources, but had been exploited and robbed by her allies, the latter owing her at the end of the war, 860 million leva.

The budgets for the four years 1915 to 1918, closed with a total deficit of 2,270 millions due in the main to increased military expenditure. This outlay was met by the expedient of increasing the fiduciary circulation and by advances to the State from the National Bank. At the end of 1918 the metallic cover of the bank still amounted to 64 millions in gold and to 19 millions in silver, but as the country's food supply had been utterly exhausted, flour to the value of 27·25 million gold leva in cash had to be purchased in 1919 from the United States and this drain on the gold reserve coupled with the fact that the balances abroad (mainly in Germany) on which the fiduciary circulation was secured had been rendered worthless through the depreciation of the mark, brought about a rapid fall in the value of the leva; and this was further accentuated as the terms of the Treaty of Neuilly became known. Thus the leva fell from 0.19 gold franc, at which level it was quoted at the end of 1919, to 0·07 at the end of 1920, and to 0.036 at the end of 1921.

Part of the military expenditure incurred during the world war was met out of the post-war budgets, so that it is difficult to assess it correctly, but roughly it may be said to be represented by the budgetary deficits of the years 1915-1921, amounting to 5,706 million leva, to which should be added the amounts of the two internal loans

175 457 652 raised in 1914 and 1921, of 83, and 157 million leva respectively, as well as that of the 270 millions advanced by the Diskonto Gesellschaft, which would bring the total military expenditure up to 6216 million leva, of varying value, however, since the leva had depreciated from the intrinsic equivalent of a gold franc in 1914 to as little as 0.036 gold franc in 1921. These 6216 millions were financed by the expedients of increasing the fiduciary circulation which from 226,615,000 leva at the end of 1914 rose to the record figure of 4,622,833,000 on Nov. 30, 1924, and by the advances of the National Bank which at the end of the financial year 1921-1922 amounted to 4,206 million leva.

175 652 727 This estimate is for military expenditure incurred by the State during the World war, and it is permissible to presume that even parts of the budgetary deficits of the years 1921 to 1923 represented expenditure on this head. It takes no account of the losses inflicted on the community at large, or of the war pensions the State had to serve subsequently to the disabled and their dependents. The number of killed was according to a statement made by the Minister of War in the Sobranye on Nov. 22, 1927, 53,825 during the Balkan wars and 115,048 during the World war.

175 152 729 In 1929 there were 98,000 persons receiving pensions as war invalids or as dependents of such, and the amount of the annual charge this constituted to the budget was 372 million leva, or less than a paltry £6 a year per person at the then prevailing rate of exchange. This was all a grateful country could afford to pay to those of her sons who had been disabled in defending her. When such heroic sacrifices are so poorly requited, it is not surprising that its citizens' devotion towards it should perceptively cool and that they should turn for consolation to such subversive doctrines as Communism, which holds out the promise of greater justice and equity.

11: Logio S-4 (no date) 1936 EE1 Bulgaria EE1

ECONOMIC HISTORY

According to the latest data, the number of war invalids receiving pensions on April 1, 1934, were 13,014 for a sum of 83,278,502 leva annually, and those of widows and dependents of soldiers killed during the wars 67,763, necessitating another annual outlay of 204,340,386 leva. In spite of the economic straits the Bulgarian exchequer is in, it has yet been found possible to make grants to 77 aged Russian veterans who had participated in the war of liberation of 1878, and who owing to the Bolshevik revolution have sought refuge in Bulgaria. The latter in spite of her difficulties is still harbouring some 19,000 émigrés and providing largely out of her slender means for their upkeep, a fact which inflicts a formal disavowal to the slanderous charges brought against Bulgaria as to her alleged ingratitude towards Russia.

The Financial burdens of the Treaty of Neuilly.

The amount of the indemnity imposed on Bulgaria and euphemistically termed 'reparations' was fixed according to Article 121 of the Treaty of Neuilly at 2250 million gold francs and decreed payable within 37 years and to bear 5% interest. Article 132 of the said Treaty decreed that the costs of reparations would constitute a first charge on all the assets and revenues of Bulgaria. Article 133 bound Bulgaria to defray the total cost of the Allied armies in occupation of Bulgarian territory until the coming into force of the Treaty, this cost being finally assessed at 25 million gold francs. Article 137 constrained Bulgaria to assume a part of the Ottoman debt, a matter which has not yet been fixed. Another article, 177, provided for the indemnification of the material damage suffered by Allied subjects through Bulgaria's action in the war out of the property of Bulgarian subjects seized in Allied countries. The amount awarded as demages by Arbitral Courts

457 balancing them with loans we simply transform political indebtedness into commercial or private indebtedness".

It is idle to contend that the Financial Committee of the Leangue of Nations was not aware of the state of affairs in Bulgaria and that it allowed itself to be hoodwinked by that quintessence of diplomatic finesse, the triumvirate Liaptchev—Mollov—Burov. It bears even a greater share of responsibility than these Bulgarian Ministers, for the lots investors in these loans have suffered, since it cannot even offer the same justification for its acts as the latter, who as several Bulgarian deputies affirmed, contracted the loans in order to stabilise, at least temporarily, their seats on the Ministerial bench. What greater condemnation can there be of this insensate policy than that contained in the utterences in the Sobranye of M. Stefanov, the succeeding Minister of Finances, on June 17, 1932 and July 10, 1932:

"Bulgaria could have done without any loans these last years, in such a case she would have had to provide 600 million less annually, this being the amount she has to disburse now on account of the last two loans and for the revalorisation of the pre-war loans. This would have constituted a great relief, and would have allowed Bulgaria to live without worries... The burden of the reparations has not worsened our condition as we ourselves have worsened it by our financial and other transactions. It is true that the reparations constituted a heavy charge but this imposition can not serve to disculpate us for our errors".

457 652 In fact as soon as the proceeds of these two loans became available, the Liaptchev administration began indulging in an orgy of squandering in order to placate its adherents and to show that it could act with munificence worthy of a great government. If we turn once more to M. Stefanov's speeches we shall find him relating:

"In 1928 there were over two milliards of uncollected taxes which in the next two years had increased to 2800 millions, 75% of which could have been collected if the Government had so wished, but there was no effort to do so. No measures were taken to stop in

time the drain on the gold reserves of the National Bank and to-day we are obliged to cut down ruthlessly imports into Bulgaria for we only have foreign exchange enough to meet the requirements of 10% to 30% of our indispensable imports. There has been waste in every direction; in order to show the electorate that the Government had not forgotten it, the construction of railway lines and public works had been started in all directions and had to be suspended later for lack of funds. It will take 12 years to terminate these lines. There was no system, no policy whatever".

In another speech, on June 1, 1932, M. Stefanov informs us that the Liaptchev administration was equally prodigal in the matter of granting loans to towns and communes out of the State Exchequer, or with the State's guarantee; 2744 millions had thus been advanced of which only 400 millions had so far been reimbursed. Many communes were not paying even interest on these advances and the money might well be considered as good as lost.

Concerning the indefensible prodigality the Liaptchev administration displayed in its public works policy it is not necessary to turn to its successors in office in order to find it criticised. It was condemned even by its supporters at the time while it was still indulging in this phenomenal profligacy. Thus in the Parliamentary minutes (June 28, 1928) we read of M. D. Neikov, a government supporter who proceeded to lecture the Government in the following terms:

"The Government has no plan in railway construction and complete anarchy prevails. Eighteen lines are being constructed simultaneously. We start constructing and then suspend work. The earthworks of the Tserven Breg-Teteven line had been completed but the work stopped and the elements have washed them away. If the line is to be constructed the work will have to be done over again. It is the same with the Panagurishte-Plovdiv line. What are we to say however about the fact that, having already a railway between Sarambey and Tsepino, the Government starts constructing a parallel line Tatar-Pazardjic-Tsepino. Does this not prove that we are

457 actuated not by our country's interest but by those of our partisans or by our own private ones?"

●652 This speaker was succeeded by another Government deputy, M. G. T. Popov, who confirmed his colleagues' recriminations in the following rejoinder:

"Whoever passes by Tatar Pazardjic sees that money is spent uselessly. . . This railway line is a monument of waste and extravagance".

457 Similar criticisms might be quoted ad infinitum, they came both from official and unofficial circles and bondholders may well ask what was the delegate of the League of Nations doing? True, his functions were to see that the Bulgarian Government made arrangements to pay the annuities of the loans, but it was easy to foresee that the wastefulness of the Government was rapidly exhausting the resources of the country and that it would be impossible to provide for the payment of the coupons in a few years. But apparently there was a cordial entente between the custodian and those who had been confided to his custody. Obviously, if the Financial Committee had imposed on the Bulgarian Ministers the acceptance of the revalorisation of the Bulgarian pre-war loans entailing a supplementary charge of 8500 million leva (see M. Yanulov's speech in the Sobranye (Feb. 12, 1929) to the Bulgarian Exchequer, such generosity had to be requited by the Financial Committee blinking at the intensive "affairisme" of their clandestine associates. This occult fraternisation lasted sometime, for the Bulgarian Ministers equally agreed to raise no opposition about the resurrection of the Diskonto Gesellschaft's untenable claims solemnly abrogated by Articles 235 and 260 of the Treaty of Versailles, and Article 139 of the Treaty of Neuilly. This shady transaction resulted in Bulgaria being saddled with a further total charge of 20,825,000 gold francs, repayable in annual instalments until 1944. In this case no French

11: Logio S-4 (no date) 1936 EE1 Bulgaria EE1

457 would-be investors in that prospective Bulgarian Co-operatives' Loan which the League of Nations was preparing to patronise; for those would-be investors might now have been in the same fix as the bondholders of the two other loans floated under the alluring and alas! delusive aegis of the League of Nations.

457 65 The Refugee Loan floated in 1926 was labelled in pounds sterling and dollars and was in its great bulk subscribed by American and British investors. It was repayable in 40 years, the price of issue was 92 and the yield 7%. The nominal amount was £3,300,000 and $4,500,000 but the net proceeds available to Bulgaria were £2,112,000 and £3,915,000 for some £625,889 were employed for the reinbursement of the Bulgarian Exchequer bonds issued in 1912-1913 to the French Banque de Paris et des Pays Bas. The money borrowed had been in French francs and the bank was repaid in the current rate of the franc and not in gold and though this arrangement seemed quite fair, yet there were Bulgarian deputies who considered that the Bank had been unduly favoured. (See Prof. P. Stoyanov's speech in the Sobranye Sept. 24, 1926). But when, one comes to consider the case of the revalorisation of the pre-war loans, it is apparent that it was a case of swallowing the camel and straining at its tail. Specific revenues were assigned to its service such as the excise on salt and alcohol and the proceeds of the match monopoly. Further, the Reparation Commission agreed to suspend the payment of reparations if such transfers were likely to affect the stability of the Bulgarian currency. A further security was provided by the fact that the State had undertaken to place at the disposal of the refugees 132,000 hectares of land, and the refugees were to refund both the value of the land and of the houses to be built out of the funds provided by the loan. The money to be

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derived from this source was to be earmarked for the repayment of the loan. For this purpose the farms of the refugees had been mortgaged to the Bulgarian Agricultural Bank, which was to supervise the refunding of these sums by the refugees. To all intents and purposes there was full security, the special revenues assigned to the service of the loan providing three times the amount needed for its service though recently the yield of these taxes has slightly decreased. Repayments by the refugees have dwindled, for owing to the fall in the price of agricultural produce they are not in a position to continue the reimbursements of their mortgages. A large number of them had been expelled from Greece, but by the Kalfov-Politis and the Mollov-Cafandaris protocols, which received the sanction of the League of Nations, Greece had undertaken to indemnify them for their possessions which they had left behind. Bulgaria had likewise bound herself to indemnify such Greeks as emigrated from Bulgaria. As the number of Bulgarians who were forced to leave Greece was far in excess of the Greeks leaving Bulgaria, there was an outstanding balance due by Greece to Bulgaria of 1,030 million leva, which sum had it been transferred to the Bulgarian refugees (See M. Smilov's speech in the Sobranye May 5, 1932) would have served for the paying off by them of their mortgages to the Bulgarian Agricultural Bank, and the money would have been used for the gradual repayment of the loan. Nothing, however has been done to compel Greece to carry out her obligations on this head. The Kalfov-Politis agreement admits that the obligation is of a private character, and that the balance arising from the exchanged properties should be handed to the refugees. This stipulation however is not reiterated in the Mollov—Cafandaris agreement which superseded it and Greece now takes advantage of the moratorium on inter-government liabilities to put off the settlement of this debt claiming that

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it is not a private matter but a governmental one. Prof. G. N. Ghenov speaking in the Sobranye on March 16, 1932 on this matter stated:

"The Hague Court to which the matter had been referred found that it was not within its province, but the case of the Hungarian optans proves the rectitude of Bulgaria's point of view, namely that it was a case of private debts which should be respected. Bulgaria had concluded a loan to enable these people to settle, if she receives money from Greece she will reimburse the loan, if she is not paid why should she be bound to pay in her turn"?

A perfectly judicious remark, though hardly reassuring to the bondholders who had better see that justice be done to Bulgaria if they wish the latter to do justice to them.

According to official data, a total of 1,619,064,310 leva provided by the State had been expended on the winding up of the department entrusted with the settlement of refugees, on the housing and assisting the refugees, draining marshes, constructing roads, and the railway line Rakovski—Mastanli etc., according to the summary appended below:

	Leva
Preparatory work on lands	77,879,200
Seeds etc.	75,167,806
Cattle	182,097,700
Agricultural implements & carts	81,026,153
Construction of houses	657,692,692
Draining of marshes	122.584,359
Railroad line Rakovski-Mastanli	324,872,617
Roads	13,971,109
Hygiene, Anti-malaria campaign etc.	18,220,905
Water adduction and improvements	36,330,852
Accountancy & general expenses	53,589,570
Total. . .	1,643,432,963

According to a statement by M. Gr. Vassilev in the Sobranye (Feb. 3, 1932) 30,099 families had been financially assisted and settled in rural districts and 7,896 in urban localities. The majority had come from Greece;

7,896 from Western Thrace and 11,705 from Greek Macedonia, 1,240 from Serbian Macedonia 1856 from the west confines of Bulgaria which had been ceded to Serbia, 3,748 from the Dobrudja, and 15,802 from Turkey. There were a few thousand families which had not been in need of State help. 457 652

The balance of the loan over and above the 1,643,433,963 leva was not used for productive purposes; it served to pay reparations and debts, a matter which was strongly criticised in the Sobranye and which has been referred to.

The Stabilisation Loan floated in 1928 was labelled in pounds sterling, dollars, and French francs and was issued for the nominal amounts of £ 1,800,000. $ 13,000,000 and Frs. 130,000,000, the net proceeds being £ 1,616,713-13-0, $ 11,910,750 and Frs. 116,350,000, or a total of 3,370,065,553 leva. The price of issue was 96 in England, 97 in the United States and 98·20 in France, and the yield 7·5%.

The revenue from customs affected to the service of the loan was far in excess of the amount required, and although there has been a marked falling off in custom dues, yet the amount raised annually is still sufficient (774 millions in 1932-3 & 514 millions in 1933-4) to provide twice over the requisite sum. The proceeds of the loan were utilised as follows: £ 1,500,000 paid to the National Bank in partial reimbursement of its advances to the State, £ 500,000 and £ 150,000 each to the Agricultural and Co-operative Bank, so that their scope of action might be extended, £ 1,100,000 were used to wipe off budget deficits, £ 1,250,000 employed for the overhauling of railways, roads and ports, and £ 500,000 for repairing the damage caused by the earthquake in the Plovdiv region. Simultaneously the sphere of action of the National Bank was rigorously limited and defined so as to shield it from all interference from the State.

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Thus the amount of exchequer bonds it was allowed to discount was limited to 400 million leva and a foreign counsellor was appointed to supervise its accounts and report to the League of Nations on its activities.

Bulgaria, like other countries, has been severely hit by the fall in the price of agricultural produce which has happened since 1929. There has been a marked drop in the State revenues with the result that the budget has continually been closed with deficits, but owing to the draconian measures adopted since 1929 with the object of curtailing imports and thus restricting the outflow of gold from the country, the government has succeeded since 1930 in transforming an almost perpetually passive commercial balance into an active one (except for the year 1932 which showed an excess of imports over exports of 88 millions). Unfortunately, owing to the existing system of clearings and quotas, the realised surplus from excesses of exports over imports to and from one country is not always available for the discharge of a debt towards another country. The principal creditor countries, Great Britain, France, and the United States continue to export to Bulgaria far in excess of what they import from her. Especially this is so in the case of England, for until quite recently Bulgaria used to buy from her six to seven times as much as what she sold. It is obvious therefore that Bulgaria was not in a position to transfer sufficient sums with which to pay her excess of imports over exports, and at the same time to effect the service of her debt towards these States. It devolves on these countries to furnish greater trading facilities to Bulgaria, in order that she may be in a better position to discharge her obligations. This is especially incumbent in the case of Great Britain, which is in the course of losing one of her most valuable clients in the Near East, her exports to Bulgaria having gradually dwindled from 738.9 in 1929

to 152.2 in 1933 and 143 million leva in 1934 while her imports were reduced from 100.08 to 49.8 million leva between 1929 and 1933 (53 millions in 1934). 457 65

The surplus from the commercial balance is the only source from which external debts may be paid, since the gold resserves of the National Bank can not be further drawn upon without compromising the stability of the currency, and Bulgaria has no foreign investments providing other invisible resources. Owing to the continuous shrinkage of the exports and the consequent reduction of this surplus (160.1 million in 1930, 1,274 millions in 1931, a deficit of 88 millions in 1932, a surplus of 644 millions in 1933 and of 288 in 1934) the Bulgarian Government has found it impossible to meet its liabilities, notwithstanding the fact that owing to the moratorium on inter-governmental debts, it has been relieved of the obligation of providing annually some 10 million gold francs under the head of reparations. Thus in 1932 it was obliged to demand a partial suspension of its payments abroad, and this was conceded in the form of a reduction on the interest of its exterior debt to the extent of 40%. But this concession proved insufficient, and by an agreement signed in May 1934 the percentage of the interest payable was further reduced to 32.5% of the original sum for a period of two years, expiring on April 1st, 1936. By the end of 1934, however owing to the shrinkage of the excess of exports over imports, the Bulgarian Government declared itself unable to carry it out, and demanded that the rate of interest payable on its exterior debts should be reduced proportionately to its available resources. Its request is justifiable; since the creditor countries refuse to buy Bulgarian produce wherewith to provide their debtor with the means with which it can discharge its obligations, Bulgaria's creditors must bow to the inevitable. American and British bond-

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holders of the two last loans, however, are entitled to insist on a better repartition of the available surplus, for in this matter they have been wronged. Owing to the depreciation of their national currencies they were being paid 40 % less by the Bulgarian Government than what the latter was paying to the French subscribers of the Stabilisation loan.

In fact while the latter received 32 ½ % of the original amount of interest due, American and British bondholders were only receiving 19 %. But what seems a far greater injustice is that while American and British bondholders have forfeited 40% of what is due to them, owing to the depreciation of their national currencies, holders of the Bulgarian pre-war loans, labelled in francs, in spite of the fact that the currency in which their bonds are labelled has depreciated to the extent of 80%. should be receiving preferential treatment in the form of a gradually appreciating payment which will shortly attain gold parity. If American and British bondholders were being paid in full in their national currency, there would be no cause for complaining, but when Bulgaria who has taken full advantage of the depreciation of the pound sterling and of the dollar, and proceeds to reimburse her French creditors not in their national currency but in gold, and using for this purpose a portion of the available sum which is the common property of *all* her creditors, it is high time that a halt should be called. Naturally French bondholders who are always strongly backed by their government, will exert the utmost pressure on the Bulgarian Government in order to maintain their present position of vantage and it is useless to appeal to the Financial Committee of the League of Nations which has itself sanctioned this favouritism. The latter really represents the interests of International Finance and these birds of prey have shared the booty plucked from hapless Bulgaria, by ceding the spoils derived from

the revalorisation of her pre-war loans to the French group while reserving the proceeds of the opportunely resurrected claims of the Diskonto Gesellschaft to the Anglo-American or British groups. These are matters which even peasant deputies are conversant with in Bulgaria,[1] and which are powerfully working to poison public opinion against the West which alas! has distinguished itself rather by its rapacity than by anything else, and contributel to turn the country Bolshevik.[2]

The only hope for American and British bona-fide investors in these loans to better their position, is to organise themselves into a committee and take up the defence of their own interests. If they insisted on a more equitable distribution of the available surplus, not only they would get as much as they were receiving under the agreement of May, 1934, but they have a chance of bettering their position. The amount needed for the annual service of Bulgaria's foreign debt by this convention is some 236 million leva, while the available surplus of exports over imports for the year 1934 is 288 millions. It would seem therefore that the paltry 19% (instead of 32½%) of the interest originally due to them and which was served out to them by the above mentioned convention could be substantially increased. It lies also with the

[1] While the Stabilisation loan was discussed in the Sobranye, M. H. Baev, a peasant deputy, got up and in a vigourous invective denounced the Government for endeavouring to bamboozle the opposition by assurances that no promises had been given to consider the defunct claims of the Diskonto. "These" he said," had been bought for a mere song by English bankers and Bulgaria would be made to pay for them through the nose."

[2] One may well sympathise with Prof. F. Soddy when he proceeds to denounce the doings of international bankers and financiers and exhorts us to do away with "a hierarchy of impostors and humbugs whom it is the first task of a sane civilisation to expose and clear out". ("The role of money" p. 214).

000 quate reason. It would certainly be unfair and injudicious on their part to insist on exacting their full pound of flesh, such a strangulation of Bulgaria in the interests of a creditor minority would not be tolerated. But a demand 457 on the part of Bulgaria for an alleviation in the charge of 435 the actual debt is justifiable in view of the fact that the fall in world prices has increased the burden of the world's debts very considerably, and has therefore correspondingly improved the position of all creditors.

The extent to which this burden has increased, owing to the fall in agricultural produce in respect of these two League of Nations' Loans may be gauged by a very instructive article published a few years ago by the Association of Bulgarian Economists, which shows the respective values of the loans in tons of wheat at the time of their conclusion, and in 1930. It was thus explained that the total proceeds of the two loans at the time of their subscription was equivalent in value to 957,066 tons of wheat, while by 1930 owing to the fall in the price of commodities, Bulgaria would have had to provide 2,638,317 tons of wheat to raise the same amount of money wherewith to repay her debt. This shows to what extent Bulgaria's paying capacity has been impaired, but even if we adjusted it on this basis we should find that she should pay 35% of the original interest instead of the paltry 19% which she taking advantage of the depreciation of the American and British currencies has been serving out until quite recently to the American and British bondholders.[1] This

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[1] By an arrangement arrived at in April 1935, the Bulgarian government will continue paying 32½% of the interest due on these loans until Sept. 30, 1935. but of this amount only 15% will be transferred abroad for distribution, while the balance of 17½% will be placed to the credit of a blocked account. Discussions as to subsequent payments are to be resumed in October 1935. The dividend distributed during July 1935 on the Refugee Loan amounted to £5—5—0 per

is hardly fair and if this be brought to the knowledge of the Bulgarian public, it will itself protest against the discrimination which is being exhibited towards a section of its creditors. But unfortunately both the Bulgarian Government and public are helpless, they are bound by the shackles of the Treaty of Neuilly, they are not masters in their house. they are precluded from redressing the wrongs they suffer from, and which are inflicted on others in their name. It is rather on the American and British bondholders that this duty devolves, and when the latter decide to demand a more equitable treatment, let them realise that it entails also a larger share of justice to Bulgaria. For if the revalorisation of the pre-war debts

£1000 of nominal capital, but if the depreciation of the dollar and pound be taken into consideration, this was tantamount to a rate of 0·7% per annum. It will be of interest to bondholders to know that payment at the rate of 15% of the sums due on its foreign debt involves a total charge to the Bulgarian exchequer of 105,667,655 leva apportioned as follows among its foreign committments:

On the pre-war loans	40,735,216
" " two L. of N. loans	42,346,464
" " upkeep of the delegates of the pre-war loans & of the commissary of the L. of N.	4,674,236
" " 6½% 1923 loan	3,063,128
" " sum due to the Diskonto Gesellshaft	3,616,440
" " 7% 1923 loan (utilised for settlement of the des Clusières affair	640,594
On the amount due to the Jonction Salonique-Constantinople railway (paid integrally 100%)	10,561,387

Bondholders should note that if interest on the pre-war loans were paid in paper francs, the amount to be disbursed would be about a third of the 40.735,216 earmarked for this purpose. It would be well if explanations were asked as to why the Bulgarian gorernment is burdened with the upkeep of a special delegate of the holders of these loans, for the commissary of the L. of N. could attend to this job and a saving of over two million ,leva would thereby be effected. An explanation is likewise due as to why the railway Jonction-Salonique is receiving preferential treatment.

STATE FINANCES

The budget, National Revenue, Balance of Payments & Public Debt

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Budgetary deficits have become a perrenial manifestation in spite of the drastic efforts to curtail expences. These deficits for the last five years have amounted to 1,366 millions for 1931/2, 752 millions for 1932/3, 233 millions for 1933/4, 332 millions for that of the year 1934. (Coinciding with the calender year and covering revenue & expenditure for 9 months.)

The budget for 1935 has been fixed at 5,695,120,000 leva, an apparent increase of 183 millions on that of 1934, but in fact it shows a noteworthy compression since it covers a full year instead of nine months. It provides for the first time for a credit of 200 millions for the "Caisse d'amortissement" which is to carry through the partial cancellation of agrarian debts etc, and a sum of 80 millions on behalf of the compensation deal concluded in 1934 with Germany and Austria, by which 908 millions worth of materials were provided by these States in exchange for 5500 million kg. of tobacco and of certain sums of money to be paid in instalments. The Exchequer has also had to make provision for the payment of 16 million leva to Greece in settlement of the dispute about the Rhodope forests, to allot an extra 20 millions for education owing to the natural increase in the number of children, and also to assign a sum of four million leva to the Agricultural Bank an behalf of certain co-operative societies which were unable to meet their obligations which the State had guaranteed.

There is no increase in taxation, as it is recognised that the maximum of imposition has been reached; on the contrary the tax on sheep and goats has been reduced from 60 to 40 millions and that on buildings, from 25 to

BULGARIA-PAST & PRESENT

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External debt		Original amount
a) consolidated		
Pre-war loans of 1892, 1902, 1904, 1907, 1909	in gold francs	575,942,500
4½% loan of 1909	" French "	82,000,000
Occupation debt of Eastern Rumelia	" roubles	10,618,290
6½% loan of 1923, for payment of Entente Subjects (Enaux)	in Fr. francs	58,815,000
Advances by National Bank for payment of indemnity in Fr. frcs		2,659,200
on Des Clusières affair	in pounds sterling	109,200
7% Refugee loan 1926	" " "	2,400,000
	" dollars	4,500,000
7½% Stabilisation loan 1928	" pounds sterling	1,800,000
	" dollars	13,000,000
	" Fr. francs	130,000,000
Reparations, according Hague covention of Jan 20 1930	in gold francs	171,637,915
b) non-consolidated		
Debt owing to the Jonction-Salonique Railway Co.	Fr. francs	27,500,000
" " to Diskonto Gesellshaft, according to agreement of May 4, 1929	dollars	4,018,253
" " to Rumania, according to Hague convention of Jan 20. 1930	lei	110,000,000
" " to Italy, for the repatriation of Bulg. prisoners of War	lt. lire	471,473

Internal debt		
a) consolidated		
6% State loan of 1914	leva	85,552,000
6½% " " 1921	"	204,888,100
6% " " 1923, according to Greco-Bulgarian convention for exchange of refugees	"	2,804,910,000
6% Treasury bonds 1933	"	59,896,336
6% Promissory notes 1934	"	230,000,000
	Total internal consolidated debt	3,385,257,436
b) non-consolidated		
Debt to National Bank		
" " " against Treasury bonds		
" " Agricultural & Co-op. Bank " "		
" " Mortgage Bank " "		
" " various funds & various Treasury bonds		
	Total internal non-consolidated debt	
	" " consolidated & " "	

STATE FINANCES

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Nominal outstanding balance	Equivalent in leva
396,180,500	9,796,025,711
78,783,945	43?,523,858
3,618,250	—
30,487,000	277,173,630
2,170,500	11,916,045
89,120	37,385,840
2,230,200	935,568,900
4,115,000	345,660,000
1,779,100	746,332,450
12,848,500	1,079,274,000
128,485,000	705,382,650
170,805,565	4,601,501,921
Total external consolidated debt	18,968,745,000
8,193,750	44,967,687
2,436,036	204,627,024
55,000,000	46,090,000
471,473	12,701,483
	308,402,194
Total external consolidated & non-consolidated debt	19,277,147,199
47,041,800	
182,826,800	
2,256,905,500	
59,896,336	
210,850,000	
2,757,522,936	
. . . . . leva 2,727,819,485	
. . . . . " 345,000,000	
. . . . . " 525,000,000	
. . . . . " 15,000,000	
. . . . . " 794,307,455	
. 4,407,216,940	
. 7,164,739,876	7,164,739,876
Total external and internal debt	26,441,887,075

Expenditure		Revenue	
Supreme Administration	46,497,000	Direct Taxation	432,000,000
Central & Regional Audit Courts	21,433,000	Indirect » Customs	945,500,000
Ministry of Foreign Affairs	158,241,000	» » Excise	1,375,000,000
» » Interior	393,422,000	» » Taxes	198,000,000
» » Education	785,400,000	» » Revenue stamps	370,000,000
» » Finance	2,210,640,000	» » Fines	92,000,000
» » Justice	167,725,000	Contribution of the Railway administration as amortisation of its debt to the State	163,982,420
» » War[1]	1,010,000,500	Post Office, Telegraphs & Telephones	280,000,000
» » Public Economy	365,003,500	Revenue from State Properties	331,250,000
» » Communications	536,758,000	Communes' contribution to teachers' salaries	320,000,000
		Various items of revenue	251,481,580
		Revenue from various funds	185,000,000
		Arrears of taxes	320,000,000
		Non-transferred sums from service of external debt	430,806,000
	5,695,120,000		5,695,120,000

[1] Expenditure on the army is comparatively high because Bulgaria according to the stipulations of the treaty of Neuilly is debarred from utilising a conscript army and is obliged to employ mercenaries.

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6 millions. Receipts provide for about 320 millions of very uncertain revenue and doubts may be entertained as to the budget being balanced. Among these is an item of 83 millions of revenue anticipated from the exchange of refugees between Greece and Bulgaria which is of a very problematical nature.

The various items of expenditure and revenue for the 1935 budget will be found on page 122.

The attempt of the State to buy cereals at enhanced prices in order to assist the peasantry has constituted a heavy drain on its resources for the last few years. The bulk of the grain thus obtained was disposed of abroad at the parity prevailing on the international markets, which naturally caused a serious loss, while only a part was sold locally for consumption. As the quantities bought ranged round about 250 million kg. a year and the difference between the local price and that obtained abroad was about 2 leva per kg., the loss on the cereals exported was serious and accounts to some extent for the deficits in the budget. Deputy P. Denev stated in the Sobranye on Nov. 18, 1933 that the losses amounted to 346,341,228 leva during 1930, to 558,507,600 for 1931, and to 36,722,000 for 1932. The quantities of grain bough up by the State in 1933 and 1934 were respectively 266,800 and 111,693 tons. [1]

The State budget does not comprise the total amount of expenditure for the social services. There is the budget of the autonomous administration of the State railways which for the year 1935 amounted to 1,454,031,412 leva and those of municipalities, and communes which provide for another two milliard leva of expediture, bringing up the total of expense for the public services to about 9 milliards.

The national revenue before the Balkan wars was

[1] It is computed that during the last four years the State disbursed 2500 millions in the form of such subsidies to the peasants

65 assessed at 1,647 million gold leva, or 44,469 million paper leva. In 1929 this was computed at 46.000 millions and in 1932 at 26,300 millions according to Dr P. Kiranov former head of the Statistical Bureau, and was made up of the following items:

	1929	1932
Agriculture	21,402,700,000	9,872,200,000
Forests	320,000,000	195,000,000
Cattle raising etc	2,196,000,000	1,502,000,000
Mines & quarries	359,400,000	298,800,000
Industry (fostered by State privileges)	2,199,349,000	2,413,086,000
" not eujoying privileges	1,099,600,000	1,206,500,000
Public Buildings	550,000,000	350,000,000
Home Industries	5,490,000,000	3,666,000,000
Transport & Communications	1,107,000,000	1,027,000,000
Commerce	11,600,000,000	4,800,000,000

The national revenue has continued to contract, particularly that derived from industry. In a speech delivered in the Sobranye by Prof. G. P. Ghenov in the middle of March 1934, the latter estimated that it had sunk below the 20,000 million figure, so that actually the social services absorb about 50% of the national revenue, which is an altogether disproportionately heavy burden for a community to bear, especially in view of the fact that the per capita revenue does not even reach 3,300 leva, and after deduction of the expenditure on social services only 1650 leva would be left over for sustenance to each individual. It is obvious that this sum, equivalent to 61 gold francs, is far below the minimum required for this purpose, since this minimum has been estimated at 260 gold francs for industrial and at 144 for agricultural countries. The disastrous consequence of this dire state of poverty are making themselves manifest. Bulgaria in fact heads the list among nations as to the percentage of tuberculous among her population, mainly due to malnutrion.

The country's balance of payments continues to close adversely as may be seen by the data given below, which

STATE FINANCES

were compiled by Dr A. Tsakalov, former director of the National Bank, and which were published in the Journal of the Society of Bulgarian Economists on April 1934. The figures are in million leva: 652

	Revenue		Expenditure		Plus		Minus	
	1931	1932	1931	1932	1931	1932	1931	1932
Foreign Trade	5,229	3,096	4,549	2666	680	430		
Services	376	286	230	201	146	85		
Participations	38				38			
Revenue of foreign capital	15	10	310	93			295	83
Other private payments	132	145	246	192			114	47
Public payments	591	156	1,233	604			642	448
Short term loans			450	200			450	200
Increase or deccrease of long term credits	114				114			
Decrease of liabilities of private enterprises abroad without merchandise credit			50				50	
Equalisation Items								
Decrease of foreign currency held by National Bank	573	178			573	178		
Foreign currency secured by National Bank locally		85				85		
	7,068	3,956	7,068	3,956	1551	778	1551	778

Dr Tsakalov adds the following explanatory notes: Though the commercial balance for 1931 and 1932 showed respectively a surplus of 1,274 millions and a deficit of 88, if only those imports and exports which were paid be accounted for, each year will show a surplus, namely 699 and 430 millions. Most of the imports were not paid for, but were received on credit, thus out of 4,600 millions imported in 1931, only 4,549 were paid, and in 1932 out of 3,471 millions, only 2,666.

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In another paper published by the same journal on Feb. 1932, the same writer shows that for the period 1924—30, Bulgaria had an annual deficit in her balance of payments of 1 to 1.5 milliard leva, which was partially met out the loans floated after the war.

In spite of favourable trade balances during the past two years the drain on the resources of the National Bank continues, owing to the fact that the balances derived from clearings are not available for use by the Bank. The following table gives details as to the entries and exports of currency during recent years:

Entries (in million leva)				Exports (in milion leva)		
1932	1933	1934		1932	1933	1934
2,576	1,108	744	Free currencies and banknotes	2751	1,227	905
648	1,439	1513	Clearings	607	1.301	1,372
320	231	602	Compensation dealings	320	231	602
3,544	2,778	2.859		2,678	2,759	1,879 [1]

On pages 120/1 will be found a table giving particulars of the Public Debt on Dec. 31 1934, totalling 26,441,887,075, of which 19,277,147,199 represent the external debt payable in foreign currency. The *per capita* indebtedness on the basis of a population of 6 millions is therefore 4407 leva, an apparently light burden when compared with the public indebtedness of other countries, but unduly oppressive if the resources and the national income of Bulgaria be considered.

[1] [Errata: should be 2879 — Analyst.]

453 The figure of 16,016 million leva of deposits, is likely to give an erroneous estimate as to the financial strength of the country. Properly speaking, deposits, or savings, do not reach even half this figure, and according to the latest data they were reckoned to have been apportioned at the end of 1933 among the following banks. Agricultural Bank, 1,496, P. O. Savings Banks 1,171, all Co-operative Societies, 3,020, Private Banks 806, Foreign Banks in Bulgaria 450 millions, or a total of 6,943,000,000 leva. The tendency has been during the last few years to transfer savings from the private banks to the State banks and P. O. Savings banks, as presenting greater safety for the depositors. The uncertainty of the situation was increased owing to the pending voting of a Law aiming at alleviating indebtedness, the need of which law became imperative owing to the drop in the prices of agricultural produce, as a consequence of which farmers were no longer able to meet their obligations and credit had come to a standstill. It was rumoured that even savings at banks might be affected and owing to this apparent insecurity of capital, building operations have been indulged in out of all proportion to the present requirements of the country and a great amount of capital has been needlessly locked up. During 1933 some 9,161 buildings have been erected, of a total value of 1,313 million leva, about double the number and value of those constructed in 1931. (The value of the amount spent in Sofia on this head reached 800 million leva in 1933).

Already the disastrous effects are apparent, prices of buildings have depreciated by 30%, while the number of unlet flats and dwelling houses in Sofia is estimated at between 2900 and 3000.

●652 453 The National Bank of Bulgaria is the sole central issuing bank, the main activities of which are centred round the aim of maintaining the stability of the national

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currency. It controls the sale of exchange and fixes the quotas of imports.

The Agricultural Bank and the Co-operative Bank which have now been fused into one, exert a preponderating influence in the economic life of the country and have contributed immensely in assisting farming operations and the development of rural credit. The guiding principles of these institutions was to come to the relief of the local population and not the pursuit of profit, with the result that very often less circumspection than the situation warranted was shown in the granting of credits. In the balance sheet of the Agricultural Bank published at the end of 1933 figured a sum of 924,631,000 leva advanced to the State for financing the Cereal Board and to municipalities for the construction of schools.

A sum of 2,553,606,000 leva was owing by farmers, 80% of which liabilities were overdue. A sum of 1,831 millions advanced to co-operative societies either cannot be considered as capable of quick realisation.[1] The bank, owing to the difficult position in which the peasantry find themselves, will be obliged to extend further facilities to its clients in order to enable them to rationalise their farms and initiate other methods of cultivation, for if this is not done, they will not be in a position to reimburse their debts to the bank. The position of the bank unfortunately does not permit it to undertake such a course and the only hope is that the State will eventually facilitate it to inaugurate such a forward policy.

The Popular Banks, to the number of 247 at the end of 1933, with a total capital and funds amounting to 930 million leva (The corresponding figure for June 1935 was 972 millions). are exerting a growing influence. They are

[1] At the end of 1934 Public Institutions and individual farmers were owing to the Bank 3,188,566,436 leva and the co-operative societies 1,894,064,482 leva.

of 34.4 at the beginning of 1934, while those of locally manufactured articles had only been reduced to 88.1, and those of imported industrial goods to 81.8, mainly on account of the high protective duties which remained constant owing to the specific tariff in force.

As the above figures are based on wholesale prices, it may be assumed that the peasants had to pay 10% to 15% more for their purchases from retail stores, and that they had to give 2 ½ times as much of their produce as they were accustomed in order to obtain in exchange the manufactured articles they had been used to buy.

The discrepancy between agricultural and manufactured goods has to some extent been reduced since the abrogation of the parliamentary regime, for the military seem to have had a clearer conception of their duties as rulers. This they achieved by drastically curtailing the privileges enjoyed by local manufacturers on the one hand, and by the State intervening as buyer of several agricultural articles, such as wheat, rye, cotton, rice, tobacco etc, and fixing enhanced prices for them. The government attaching less value to the cheapness at which the consuming public might obtain its food than to the maintenance of a level of prices at which the peasants are able to live. This seems to forebode a return to sanity, for level-headed men like Prof. G. P. Ghenov, often laid stress on the necessity of Bulgaria reducing her tariffs if she were not to see foreign markets closed to her produce, and that it was indispensable to buy if she sought to sell. His speech of May 16 1932 in the Sobranye in which he exposed the inanity of subsidising an industrial system which cost one milliard leva annually to the State, was very favourably commented on at the time.

What seems difficult to explain is how the wiseacres of the Financial Committee of the League of Nations should, on the floating of the Stabilisation loan of 1928

466 653 mines and telegraph poles being prepared, as well as lumber for building purposes. The balance of the available labour was employed in agricultural work, excavations, construction of aerodromes and dams, reparation of thermal bathing establishments, drainage, afforestation, water adduction etc.

The most impressive work undertaken by the labour contingent was the erection of two large dams along the banks of the Danube namely between the mouths of the rivers Isker and Vit, and near the mouth of the river Yantra. The former one 28·3 klm. in length, has secured an area of some 17.000 hectares from the annual floods of the Danube, and the latter which is a massive dam 17 klm. in length, 24 m. wide at its base, and 5 to 7 m. in height, bearing an excellent road on top has served to reclaim 1,100 h. of marsh land and protect another 1,250 h. from floods. The total cost of this last dam at the mouth of the Yantra to the State was 32 million leva.

Certain other workshops which had been opened at Shumen and Radomir as well as certain agricultural enterprises, and cattle ranches have not proved successful and were closed.

466 652 The financial results of the experiment may be gauged by the folloving table compiled by the Direction of the Labour Service and which coves the whole period of its functionment from its inception to March 31st 1932.

Disbursements cover: salaries and office expenses of the permanent staff, food, medical attendance, clothing, equipment, general expenses, depreciation of machinery etc. Under the heading of receipts figure, the sums paid for exemption from service, proceeds from the sale of various materials, as well as reimbursements by the various ministries of a nominal wage per man, for the number of labour conscripts affected to their services. This last practice was initiated in the financial year 1924/5 in order

THE OBLIGATORY LABOUR SERVICE

that the budget of this department might not be deficitary; the wages per day paid by the various ministries have varied between 30 and 60 leva and are substantially under the average wage of manual workers hired in the open market. It is reckoned that the upkeep of a labour conscrips costs 15 leva per day to the State, and that the value of his work is on an average about 30 leva. If it were not for the subsidy furnished by the various ministries, the scheme would not even be self-supporting, and as no remuneration whatever is given to the labour conscripts whose labour would certainly be worth semething in the open market it would not appear that this plan of employing labour is on a whole economical to the community, though it may be so to the State or the municipalities. As it should be expected, every man cannot be utilised in his profession and as a consequence the output of his work on the particular job he has been affected to is not a record one; as M. I. Detchev, a radical deputy, stated in the Sobranye on Dec. 34, 1926, the work of 14 labour conscripts equals that of one skilled workman.

The data on page 168 do not refer to the temporary service which is carried out by the communes or municipalites independently. The latter have the right to call up every year for twenty one days all men up to the age of 40, and exceptionally up to 50, who are domiciled within their precincts for the purpose of carrying out any public work which has been decided upon. It is estimated that some 800,000 men are liable to this temporary service and if their daily wage be reckoned at 40 leva per man and per day, this would represents a possible saving of 672 million leva a year on the wage bills of the municipalities employing labour and would permit them to undertake public works which otherwise would never have been contemplated owing to the precarious state of their finances.

Years	Receipts from exemptions	Receipts from subsidies paid by Ministries	Receipts from goods sold	Various Receipts	Nett Loss	Gross disbursements
1920—21	16,465				7,475,850	7,492,315
1921—22	2,941,071		1,580,664	37,838	48,709,284 *	53,268,855
1922—23	49,908,210		29,278,321	507,642	98,084,065 *	177,778,237
1923—24	85,463,762		63,757,598	803,678	24,783,318	174,808,356
1924—25	26,202,847	67.223,163	50,340,817	12,785,405		147,384,287
1925—26	36,882,768	80,802,373	66,108,120	10,692,529		182,944,747
1926—27	37,119,522	72,744,526	51,208,024	1,220,288		146,548,629
1927—28	45.542,866	143,751,752	41,389,855	2,524,909		154.388,922
1928—29	77,845,990	173,601,206	50,594,311	8,324.177		164,482,237
1929—30	101 649,332	195,795,776	65,853,521	7,048,642		188,061,303
1930—31	46,169,921	211,843,934	48,699,040	10,169,179		198,413,223
1931—32	35,478,757	184,630,035	46,481,683	9,942,087		173,334,375

* According to a statement by Minister Vassilev in the Sobranye on June 19, 1928 the Direction computes that the loss is smaller, but accounts for the difference by entering a certain sum as extra profits „not figuring in the budget" or, in other words, a subsidy of some sort

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499 which has shown more consideraton to Bulgarian require-
648 ments and has agreed to join up its railways at two other points besides Tsaribrod, namely at Vidin and at Giushevo, the present terminus of the Sofia-Kustendil line which will be prolonged to Kumanovo. When the construction of this line will be achieved, the present railway journey Sofia — Salonica will be shortened by a third of its present duration by the avoidance of the long way round through Nisch.

Roads

491 The total length of semi-permanent or macadamised
652 roads in Bulgaria in 1934, was of 17071 klm. and there were another 7,125 klm. in construction. Of the existing milage, 8,397 klm. were reported to be in good condition, 4,991 klm. in medium condition, and 4,103 as in a bad condition. The new Government planned to construct another 4000 klm. of roads and contemplates spending a sum of two milliard leva on this project, completing every year some 400 klm. of new roads. It has created new taxes in order to provide the necessary funds, among which is a special road tax of 140 leva a year to be levied on all males between the ages of 20 and 55. Owners of motor cars will also contribute to the maintenance of the roads by paying increased sums for their driving licences, It is expected that some 300 million leva will be raised annually by these special taxes, $^{2}/_{3}$ of which are proposed to be spent on the building of the new roads and $^{1}/_{3}$ for the upkeep of those already existing.

499 It is proposed to construct at once an arterial road of 300 klm. between Sofia and Orhanie, trying different systems and materials in order to find out which is the most suitable for local conditions. It is aimed to have the new roads laid out properly, in order that they may not need repairing for the first ten years. The compulsory